

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Douglass Township	County Montcalm
Fiscal Year End March 31, 2007	Opinion Date June 13, 2007	Date Audit Report Submitted to State July 19, 2007	

We affirm that:

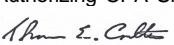
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo PC, CPAs		Telephone Number 989-463-6108	
Street Address 7810 N. Alger		City Alma	State MI
Authorizing CPA Signature 		Printed Name Thomas E. Coulter	License Number 1612544

Douglass Township
Montcalm County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2007

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**Douglass Township
List of Elected and Appointed Officials
March 31, 2007**

Township Board

Terry Anderson – Supervisor

Amy Laper – Treasurer

Sharlene Hopp – Clerk

Thomas Jeppesen – Trustee

Douglas Poulsen – Trustee

Independent Auditor s' Report

To the Township Board
Douglass Township
4500 Grow Road, NW

We have audited the accompanying financial statements of the governmental activities and major fund of Douglass Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Douglass Township as of March 31, 2007 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yeo & Yeo, P.C.

June 13, 2007
Alma, Michigan

Douglass Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007

Our discussion and analysis of Douglass Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2007.

Total net assets related to the Township's governmental activities are \$754,370. The amount that is unrestricted is \$522,289.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Douglass Township as a whole and present a longer-term of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing governmental services.

The fund financial statements present a short term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

Douglass Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007

Douglass Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2007 and 2006.

Table 1

	Governmental 2007	Activities 2006
	<u>2007</u>	<u>2006</u>
Current assets	\$ 537,383	\$ 502,247
Capital assets, net	<u>228,190</u>	<u>234,490</u>
Total assets	<u>765,573</u>	<u>736,737</u>
Current liabilities	<u>11,203</u>	<u>9,712</u>
Total net assets	<u>\$ 754,370</u>	<u>\$ 727,025</u>

Douglass Township's net assets of governmental activities are \$754,370 and \$727,025 for the years ended March 31, 2007 and 2006, respectively. Of the Township's net assets for the year ended March 31, 2007 and 2006, \$526,180 and \$492,535 are unrestricted, respectively.

Douglass Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007

The following table shows, in a condensed format, the change in net assets as of the March 31, 2007 and 2006.

Table 2

	Governmental 2007	Activities 2006
Revenue		
Program revenue		
Charges for services	\$ 7,020	\$ 7,520
Capital grants and contributions	-	75,801
General revenue		
Property taxes	117,024	80,162
State-shared revenue	166,609	167,248
Unrestricted investment earnings	11,292	10,573
Miscellaneous	10,302	6,050
Total revenue	<u>312,247</u>	<u>347,354</u>
Program expenses		
General government	123,370	115,042
Public safety	63,936	36,534
Public works	93,168	193,139
Community and economic development	4,428	1,755
Loss on sale of capital assets	-	2,180
Total program expenses	<u>284,902</u>	<u>348,650</u>
Change in net assets	<u>\$ 27,345</u>	<u>\$ (1,296)</u>

**Douglass Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007**

Governmental Activities

Douglass Township's total governmental activity revenues were \$312,247 and \$347,354 for the years ended March 31, 2007 and 2006, respectively. Revenues decreased in the current year due to a decrease in burials and state shared revenue. Governmental activity expenditures of \$284,902 and \$348,650 were recorded for the years ended March 31, 2007 and 2006, respectively. The decrease in expenditures in the current year is due to a decrease in road paving expenses associated with the special assessment for North Shore Drive.

Douglass Township's Funds

The fund financial statements provide detailed information about the most significant funds, not Douglass Township as a whole. The Township Council creates funds to help manage money for specific purposes as well as show accountability for certain activities.

General Fund

Functions relating to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State revenues from fees charged for various municipal activities and services are recorded in the General Fund. This fund had an increase in fund balance of \$31,390 in 2007.

General Fund Budgetary Highlights

Over the course of the year, the Township Board monitors and amends the budget to account for unanticipated events during the year. The most significant change was the decrease in costs associated with the paving of North Shore Drive due to a special assessment. Prudent budgeting and continued monitoring of all expenditures reduced the effects of these expenditures.

**Douglass Township
Management's Discussion and Analysis
For the Year Ended March 31, 2007**

Capital Assets

At March 31, 2007, Douglass Township has \$301,119 invested in a wide range of capital assets, including land, buildings, and machinery and equipment. The total amount of accumulated depreciation as of March 31, 2007 is \$72,929, of which \$228,190 remain as net capital assets at the end of the fiscal year.

Economic Factors and Next Year's Budgets and Rates

The Township needs to continue to monitor its budget very closely. State revenue-sharing payments decreased this past year but have the potential to decrease significantly due to State cutbacks and less sales tax receipts at the State level. Interest rates are increasing so the Township will continue to monitor this to get better interest rates on invested money.

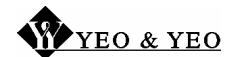
Despite these concerns, the Township will continue to operate as efficiently as possible in the next fiscal year.

Contacting Douglass Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of Douglass Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the administration offices at Township hall.

Douglass Township
Statement of Net Assets
March 31, 2007

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$ 396,186
Receivables	
Taxes	13,547
Special assessments	71,954
Accrued interest and other	12,362
Due from other units of government	39,443
Prepaid items	3,891
Non-depreciable capital assets	21,800
Depreciable capital assets, net	<u>206,390</u>
Total assets	<u>765,573</u>
Liabilities	
Accounts payable	9,048
Accrued and other liabilities	<u>2,155</u>
Total liabilities	<u>11,203</u>
Net Assets	
Invested in capital assets	228,190
Unrestricted	<u>526,180</u>
Total net assets	<u>\$ 754,370</u>



See Accompanying Notes to Financial Statements

Douglass Township
Statement of Activities
For the Year Ended March 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
		Operating	Capital		
	Charges for	Grants and	Grants and		
<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Primary Government</u>	<u>Governmental</u>
					<u>Activities</u>
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 123,370	\$ 7,020	\$ -	\$ -	\$ (116,350)
Public safety	63,936	-	-	-	(63,936)
Public works	93,168	-	-	-	(93,168)
Community and economic development	4,428	-	-	-	(4,428)
Total primary government	<u>\$ 284,902</u>	<u>\$ 7,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(277,882)</u>
General revenues					
Property taxes					117,024
State shared revenue					166,609
Unrestricted investment earnings					11,292
Miscellaneous					10,302
Total general revenues					<u>305,227</u>
Change in net assets					27,345
Net assets - beginning of year					<u>727,025</u>
Net assets - end of year					<u>\$ 754,370</u>

See Accompanying Notes to Financial Statements

Douglass Township
Governmental Funds
Balance Sheet
March 31, 2007

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 396,186
Receivables	
Taxes	13,547
Special assessments	71,954
Accrued interest and other	12,362
Due from other units of government	39,443
Prepaid items	<u>3,891</u>
Total assets	<u>\$ 537,383</u>
 Liabilities	
Accounts payable	\$ 9,048
Accrued and other liabilities	2,155
Deferred revenue	<u>82,898</u>
Total liabilities	94,101
 Fund Balances	
Reserved for:	
Prepays	3,891
Unreserved, reported in:	
General fund	<u>439,391</u>
Total fund balances	<u>443,282</u>
Total liabilities and fund balances	<u>\$ 537,383</u>

See Accompanying Notes to Financial Statements

Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2007

Total fund balances for governmental funds	\$ 443,282
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	228,190
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	<u>82,898</u>
Net assets of governmental activities	<u>\$ 754,370</u>

Douglass Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2007

	<u>General</u>
Revenues	
Taxes and special assessments	\$ 120,871
Licenses and permits	920
State revenue sharing	162,104
Other state grants	4,505
Charges for services	3,370
Interest income	5,190
Rental income	3,650
Other revenue	<u>4,339</u>
Total revenues	<u>304,949</u>
Expenditures	
Current	
General government	115,989
Public safety	63,936
Public works	92,574
Community and economic development	<u>4,428</u>
Total expenditures	<u>278,602</u>
Excess of revenues over expenditures	26,347
Other financing sources	
Insurance recoveries	<u>5,043</u>
Net change in fund balance	31,390
Fund balance - beginning of year	<u>411,892</u>
Fund balance - end of year	<u>\$ 443,282</u>

See Accompanying Notes to Financial Statements

Douglass Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net change in fund balances - Total governmental funds	\$ 31,390
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(7,975)
Capital outlay	1,675

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments	(3,847)
Other revenue	<u>6,102</u>

Change in net assets of governmental activities	\$ <u>27,345</u>
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Douglass Township
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Douglass Township is governed by an elected five-member Board. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Douglass Township
Notes to Financial Statements
March 31, 2007

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the government totaled \$61,684,520, on which ad valorem taxes consisted of .7393 mills for operating purposes and .7500 for fire services. This resulted in \$45,593 for operating expenses and \$46,255 for fire expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

Douglass Township
Notes to Financial Statements
March 31, 2007

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Douglass Township
Notes to Financial Statements
March 31, 2007

NOTE 3 - DEPOSITS

At year end the government's deposits were reported in the basic financial statements in the following categories:

	<u>Cash and Cash Equivalents</u>
Governmental activities	\$ <u>396,186</u>

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$26,926 was exposed to custodial credit risk because it was uninsured and uncollateralized .

NOTE 4 - RECEIVABLE S AND DEFERRED REVENUE

The only receivables not expected to be collected within one year are as follows:

	<u>Due After One Year</u>
Primary government	
Special assessments	\$ 65,686
Accrued interest and other	<u>10,944</u>
	<u>\$ 76,630</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Special assessments	\$ 71,954
Other revenue	<u>10,944</u>
	<u>\$ 82,898</u>

Douglass Township
Notes to Financial Statements
March 31, 2007

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 21,800	\$ -	\$ -	\$ 21,800
Capital assets being depreciated				
Land improvements	-	1,675	-	1,675
Buildings, additions and improvements	256,000	-	-	256,000
Machinery and equipment	21,644	-	-	21,644
Total capital assets being depreciated	277,644	1,675	-	279,319
Less accumulated depreciation for				
Land improvements	-	55	-	55
Buildings, additions and improvements	48,356	6,410	-	54,766
Machinery and equipment	16,598	1,510	-	18,108
Total accumulated depreciation	64,954	7,975	-	72,929
Net capital assets being depreciated	212,690	(6,300)	-	206,390
Governmental activities capital assets, net	\$ 234,490	\$ (6,300)	\$ -	\$ 228,190

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 7,381
Public works	594
Total governmental activities	\$ 7,975

NOTE 6 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 7 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined contribution pension plan

Plan description – The government has a defined contribution pension plan covering all elected officials. Contributions are based on a salary schedule. The employee is required to contribute the first \$25 and the Township contributes the remaining amount of the premium. All contributions are vested immediately.

Annual pension costs – For fiscal year ended 2007, the government's annual pension cost of \$8,608 for the plan was equal to the required and actual contribution.

Douglass Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes and special assessments	\$ 92,758	\$ 92,758	\$ 100,617	\$ 7,859
Penalties and interest	700	700	650	(50)
Administration fee	18,000	18,000	19,604	1,604
Licenses and permits	700	700	920	220
State revenue sharing	130,000	130,000	162,104	32,104
State grants	-	-	4,505	4,505
Charges for services	1,600	1,600	3,370	1,770
Interest income	8,000	8,000	5,190	(2,810)
Rental income	3,000	3,000	3,650	650
Other revenue	6,225	6,225	4,339	(1,886)
Insurance recoveries	-	-	5,043	5,043
Total revenues	<u>260,983</u>	<u>260,983</u>	<u>309,992</u>	<u>49,009</u>

See Accompanying Notes to Financial Statements

Douglass Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2007

	Budgeted Amounts			Actual Over (Under) Final Budget
	Original	Final	Actual	
Expenditures				
General government				
Township board	25,616	25,616	20,631	(4,985)
Supervisor	9,572	9,572	9,439	(133)
Manager	5,640	5,640	5,426	(214)
Clerk	16,033	16,418	15,979	(439)
Audit	4,000	4,000	1,975	(2,025)
Board of review	2,145	2,145	2,088	(57)
Treasurer	16,233	16,223	15,735	(488)
Assessor	25,580	26,199	23,431	(2,768)
Elections	25	89	3,186	3,097
Buildings and grounds	13,385	13,385	8,500	(4,885)
Cemetery	11,057	11,057	9,599	(1,458)
Total general government	129,286	130,344	115,989	(14,355)
Public safety				
Fire department	40,045	67,913	63,936	(3,977)
Public works				
Highways, streets and bridges	125,000	125,000	92,574	(32,426)
Community and economic development				
Planning	5,735	4,985	4,428	(557)
Capital outlay	1,600	1,600	1,675	75
Total expenditures	301,666	329,842	278,602	(51,240)
Excess (deficiency) of revenues over expenditures	(40,683)	(68,859)	31,390	100,249
Fund balance - beginning of year	411,892	411,892	411,892	-
Fund balance - end of year	\$ 371,209	\$ 343,033	\$ 443,282	\$ 100,249



7810 N. Alger Rd.
Alma, MI 48801
Phone (989) 463-6108
Fax (989) 463-8560

To the Township Board
Douglass Township

In planning and performing our audit of the financial statements of Douglass Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Douglass Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Douglass Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

During the audit it was noted that the QuickBooks general ledger software is not password protected. We recommend that each employee with access to the general ledger have a password. This will provide an audit trail for the future.

It was also noted that the monthly bank reconciliations were being performed timely, but a copy of the bank reconciliation was not being printed or reviewed. We recommend that the treasurer print the bank reconciliations each month and have the clerk or supervisor review the reconciliations and initial and date them for proof. We also recommend that someone who is not an authorized check signor receive the unopened bank statements to review the cleared check images and any transfers between accounts before the treasurer prepares the bank reconciliations.

Due to the implementation of SAS 112, we are required to report the following as a significant deficiency. SAS 112, is effective for audits of financial statements for period ending on or after December 15, 2006. We proposed twelve adjusting journal entries that you approved and posted to your general ledger. The effect of such entries was to increase net income by \$52,406. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that a review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees.

The following matters are comments and recommendations to help strengthen internal controls and operating efficiency. They are not considered significant deficiencies.

As part of our audit planning procedures, we are required to obtain an understanding of internal control of Douglass Township. Part of the internal control process is the communication of information, including the communication of how internal controls are designed and operating. During our audit planning procedures we noted that documentation of internal control policies and procedures was incomplete. We recommend that Douglass Township completely document and disseminate all internal control policies and procedures in one document. This ensures that all employees understand what their responsibilities in internal control are. In addition, it ensures continuity of internal control procedures in the unfortunate event of employee turnover or unexpected absence. Documentation should not only indicate the flow of documents but also what internal control procedures are performed by each employee and what documentation is required to indicate a procedure was completed. The monitoring process should also be documented in this procedures manual, including who is responsible for monitoring, the minimum monitoring which must be done, and what documentation is required to indicate monitoring was performed.

We noted that Douglass Township uses QuickBooks for its accounting software. In many cases QuickBooks is the best option for a Township's accounting software and there are very good reasons to use QuickBooks. It is however important that Management and those charged with governance understand the inherent limitations of the QuickBooks accounting software package. QuickBooks, unlike most other accounting software packages, does not provide for an irreversible closing of fiscal years. Instead, QuickBooks provides an option to password protect the accounting records up through a specific date. We encourage all users of QuickBooks to implement this option and password protect those years which have been audited, after ensuring that QuickBooks records match the audited financial statements. This password protection however does still allow changes to prior periods once the password is entered. The importance of not making changes to password protected periods needs to be instilled in all who know the password. In addition, QuickBooks does not void checks per se. When the void check option is chosen in QuickBooks it in effect deleting the check as of the date the check was written rather than voiding the check as of the date you choose to void it. This poses problems when the check issue date and the void date are in different fiscal years.

There are broad categories of permissions which should be reviewed and set for each particular user, based on their needs. One of these categories is the ability to change or delete transactions and the ability to change or delete transactions before the closing date. Remember that the Admin user automatically has rights to all broad categories, and therefore may not be the correct user set-up for some users. These categories however are very broad. Anyone given access to input accounts receivable invoices has access to record the receipt of accounts receivable monies and create write-offs of accounts receivables. Therefore QuickBooks cannot be relied upon to enforce segregation of duties. We recommend that you seriously consider the costs and benefits of QuickBooks software as compared to the Township's needs. We also recommend that this consideration be done on an annual basis as facts and circumstances change throughout the year. We are neither recommending for nor against continuing to use QuickBooks as the Township's accounting software, we are simply recommending that the decision made by Management and those charged with governance be a fully informed decision.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo

Yeo & Yeo, P.C.

Alma, Michigan
June 13, 2007